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Wages increase by 46pc

Staff Reporter

If the spread of microcredit doubles in a village, the wage rate goes up by 4 per cent during the peak season, according to a recent study conducted by Dr SR Osmani, professor of development economics of Ulster University, UK.

The study was presented during a workshop—"Microcredit and rural labor market in Bangladesh"—organised by the Institute of Microfinance at the Bangaabandhu International Conference Center (BICC) yesterday. It was conducted with a random sample of 6,300 households drawn from all the districts of Bangladesh, except Rangamati.

The impact on the wage rate was measured by undertaking a village-level analysis, taking 180 villages as a unit of observation. Two aspects of such impact on the labour market were investigated: wage rate at the village level and the employment at the household level.

The study found that microcredit has a strong positive effect on the employment level of the members of borrowing households. With microcredit, an average household gains 53 person days of employment a year as a result of access to employment—amounting to about 19 per cent increase from the employment level without microcredit.

The study also found that female employment increases proportionately more than male employment.

Presenting the study, Prof. Osmani said the extent of employment effect differs on the basis of microcredit. "As expected, households using loans mainly for productive purposes gain more employment compared with those that use their loans mainly in unproductive ways," he added.

He pointed out that although mostly women take microcredit from different financial organisations, the employment effect turns out to be much bigger for the male members of

households. For an average household, male employment increases by 43 person days a year as against eight days of female employment.

Prof. Osmani said the study could not find any significant spill-over effect of microcredit on non-borrowers. "It implies that the increase in employment enjoyed by micro-credit borrowers represents a net addition to rural employment. It does not come at the expense of non-borrowers. Such findings also imply that any additional demand for wage labour generated by micro-enterprises run by microcredit borrowers is still not significant enough to be visible at the macro level," he added.

Dr Mahbub Hossain, professor of BRAC University, Dr Rizwanul Islam, former special adviser on growth, employment and poverty reduction at the International Labour Organization, Dr Rushidan Islam Rahman, research director of the Bangladesh Institute of Development Studies (BIDS), Dr Selim Raihan, professor of economics at Dhaka University, and Dr Sazzad Zahir, executive director of the Economic Research Group (ERG) were present as panel discussants.

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